

B/ed

OCI No. 3986  
Copy No. 7CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
1 June 1953

## THE DETERIORATING POSITION OF FRANCE

Paul Reynaud's declaration before the French Assembly that continuing political and financial instability gravely undermines France's position as a world power is amply supported by the developments of the past two years. In the political sphere, in the economic, and in the military, France has repeatedly fallen short of the demands placed on it as the third ranking member of the Western alliance. No immediate financial collapse threatens, but no end is now in sight to the slow deterioration in France's position.

Reynaud's demand for immediate constitutional reform to allow a premier to dissolve the assembly as soon as his government is overthrown highlighted the problem which has paralyzed French governments under the Fourth Republic. As in the case of Premier Mayer, deputies representing particular interests have not hesitated to protect the privileged fiscal positions of their constituents by overturning the government regardless of the national welfare or international obligations.

Most center and rightist deputies now agree that constitutional revision is necessary if any government is to have the stability required to carry through a consistent program of fiscal and economic reform; but leftist elements have thus far refused to accept any limitations on the assembly's prerogatives. Meanwhile, the assembly has avoided decisive action despite two years of deteriorating financial conditions, and there is no indication that other than stop-gap measures are yet in sight.

A contributory factor to this instability is the Communists, who now constitute a sixth of the assembly membership and the largest political party in France, with an estimated strength of 450,000 and an electoral following of 5,000,000 out of a total of 19,000,000 voters. Communist-controlled unions have a membership of some 1,250,000, and the party's propaganda resources include more than a hundred front organizations and a press with a combined circulation of about 1,000,000.

25X1

25X1

Document No. 002  
No Change In Class.   
 Declared  
Class. Changed To: TS S C  
41172R000200310002-5  
Date: 15 JUL 1978  
By:

In recent years, however, the Communists have been unable to translate their strength into impressive political action. The other parties have kept them isolated in parliament, and labor has refused to respond to calls for politically motivated strikes. Since 1947 the size and influence of the Communist Party have declined, owing partly to the postwar economic recovery as well as to the pro-Soviet and antinational character of the party's cold war policy. At present, the party is experiencing greater internal dissension than at any time since the war, and this dissension seems likely to grow.

Anti-Communist police measures seem to have played only a minor part in this decline, since these have tended to increase popular sympathy for the party. The government seems to have slackened its efforts to obtain National Assembly permission to lift the parliamentary immunity of Communist deputies. The spring municipal elections and the sharp rise in the number and scope of nuisance strikes indicate that the Communists still retain their greatest source of strength--the conviction on the part of the working classes that the party is the most effective defender of labor's economic interests.

No French government since the war has undertaken the drastic steps necessary to correct the fundamental maladjustments of the country's economy. There has been considerable plant modernization in basic industries, but credit limitations have prevented a comparable advance in secondary industries, and much of the technological progress has been negated by restrictive business practices and discriminatory tax policies. Steps to increase productivity in industry, agriculture and distribution have been blocked by the persistent attitude that every business enterprise has a right to exist where it is and as it is, regardless of its competitive ability.

As a result, the postwar increase in French industrial production has been less than that in any other industrial country in Western Europe. In 1952 expansion ceased, and in early 1953, for the first time since the war, the production index fell below the figure for the corresponding quarter of the previous year. The economy now appears to be approaching a condition of stagnation.

Little has been done to improve the miserable living standards of the working class, which are still below prewar levels. Labor agitation since the war has been almost entirely fruitless, but the workers have grown increasingly

Approved For Release 2004/07/09 : CIA-RDP91T01172R000200310002-5

restive during the past few months and, with the free trade unions further weakened by internal dissension, have become more susceptible to Communist exploitation.

The country's basic economic difficulties came to a head in two specific financial problems which were largely responsible for Mayer's overthrow on 22 May. One of these was the increasing disequilibrium in France's international payments. Only an advance of \$51,000,000 on US aid for fiscal 1954 enabled Paris to meet its April deficit with the European Payments Union without exhausting the hard-currency holdings of the foreign exchange stabilization fund. The continuing failure, however, of French exports to compete favorably in world markets precludes any substantial improvement in the situation.

The other problem is the growing budgetary deficit, made particularly serious this spring by unusually heavy expenditures coinciding with an unexpected shortfall in revenue. Because of anticipated seasonal increases in revenue, the government is not faced with immediate bankruptcy; but the next premier will have to ask the assembly for many of the emergency powers it denied to Mayer, and some further cuts in defense appropriations seem inevitable.

Militarily, France is still incapable of playing the role expected of it in Western defense plans. Although quantitatively France came close to attaining the 1952 NATO goals set at Lisbon, qualitatively, French military units are far below acceptable NATO standards of readiness. While adequate equipment is available for existing army units, a large percentage of regular noncommissioned and company grade officers are in Indochina, and training is thus severely handicapped. Most of the navy's major units are old, and the air force is still incapable of performing its tactical mission to support the army. The growing budgetary problems, moreover, will decrease the rate at which these obstacles are overcome.

Because of these varied strains, France appears to be becoming increasingly restive under its commitments to American policy objectives. EDC ratification is definitely shelved until fall; action then will be strongly influenced by the tactics pursued by the USSR in the meantime and the status of the Saar question.

Frenchmen's awareness of their country's deteriorating position seems to have accentuated their apprehensions over Germany's resurgence. Fearing German domination of a united Europe, they have proved progressively more difficult during

Approved For Release 2004/07/09 : CIA-RDP91T01172R000200310002-5

Approved For Release 2004/07/09 : CIA-RDP91T01172R000200310002-5

the past year in all negotiations on European integration. The continued drain of the Indochina war, in particular, has increased these apprehensions.

The government's most difficult immediate decision may involve its Indochina policy. Pressure for a negotiated withdrawal is growing, though it has not reached dangerous proportions. Unless the government can convince the Assembly that there is still hope for a long-range solution in Indochina, however, sentiment for withdrawal may snowball. In any case, pressure for increased US aid can be anticipated.

Approved For Release 2004/07/09 : CIA-RDP91T01172R000200310002-5